Revenues

During the 1999 regular and 1st special legislative sessions, the Legislature enacted 32 bills affecting revenue. As a result, state general fund resources were reduced by $25 million.

A focus this year was on using tax legislation to spur rural economic development. Chapter 311, Laws of 1999 (ESHB 2260), redirects the existing local option sales and use tax for distressed counties to rural counties, and increases the local option sales and use tax rate from 0.04 to 0.08 percent. This increase does not raise the overall sales and use tax rate in rural counties, as it is credited against the state sales and use tax. Rural counties must use revenues generated from the local options tax to pay for public facilities listed in certain economic development or comprehensive plans. The legislation also provides some business and occupation (B&O) and public utility tax credits aimed at encouraging economic development activities in rural areas. ESHB 2260 reduces the state general fund by $17 million in the 1999-01 biennium, but provides rural county governments with $15 million in new revenues.

Another significant piece of revenue legislation is Chapter 4, Laws of 1999, 1st sp.s., Partial Veto (ESHB 2091), which decreases the state general fund by $10 million by providing a timber excise tax credit for timber harvested under a permit subject to enhanced aquatic resources. This legislation is part of the measures being taken to restore salmon runs. The legislation uses the tax credit to provide some compensation to timber owners whose harvesting activities are restricted.

Property tax bills often do not affect the state's general fund balance, but property tax shifts occur. When a property is exempted, taxes that would have been paid on that property are shifted and paid by other property owners. This year the property tax bill with the largest shift is Chapter 203, Laws of 1999 (SHB 1345), which exempts rental housing owned or used by nonprofit organizations to provide housing for low-income families from property taxes (if certain conditions are met). The total shift in state and local property taxes is $8.7 million. There is also a $1.1 million local revenue loss but no loss to the state general fund.

A few bills also increase revenues. Most notably, Chapter 209, Laws of 1999 (HB 1664), increases the state general fund by $5.3 million by applying real estate excise tax to certain "step transactions" involving formation, liquidation, dissolution, or reorganization of a partnership or corporation that owns real estate. The revenue increase for local governments is $2.1 million.

1999 Revenue Legislation
General Fund-State
(Dollars in Thousands)

			1999-01	2001-03
Rural Tax Package				
ESHB	2260	Rural County Tax Incentives	-17,487	-23,726
E2SSB	5594 *	Economic Vitality	-1,108	-1,312
Other Bills				
E2SHB	1143	Inmate Funds' Deductions	-1,215	-5,080
EHB	1151	Dairy and Food Laws	-2	-2
HB	1154	Emergency Medical Services Levy	0	0
SHB	1345	Low-Income Rental Housing/Tax Exemption	0	0
ESHB	1547	Zoo/Aquarium Funding	0	0
ESHB	1562	Airport Rental/Use Charges	-3	-3
SHB	1623	Tax Code Update	0	0
HB	1664	Real Estate Excise Tax	5,300	7,500
HB	1741	Small Business Tax Reporting	0	0
ESHB	1887 *	Machinery and Equipment Tax	-401	-465
SHB	1969	Nonprofit Homes for Aging/Tax Exemption	0	0
EHB	2015	Year 2000 Liability	-143	-52
HB	2081	Internet Service Provider Tax Prohibition	0	0
ESHB	2090	Sellers of Travel	64	64
ESHB	2091 *	Salmon and Water/Forest Practice	-10,000	-15,860
ESHB	2247	Oil Spill Response Tax	0	0
HB	2261	Construction Services/Tax	0	0
SHB	2273	Destroyed Property/Taxation	0	0
HB	2295	Agriculture Production/Tax	0	0
SB	5020	Fishing/Hunting License Fees	240	240
SB	5021	Agricultural Research and Education/Tax Exemption	0	0
2SSB	5452	Public Facilities Districts	-1,791	-9,085
SSB	5495	Property Tax Levy Restriction	0	0
ESB	5564	Park and Travel Trailer Tax	0	0
ESSB	5661	Leasehold Excise Tax	-90	-90
SSB	5706	License Fraud	1,623	1,783
ESSB	5712	Motel Liquor Licenses	-3	12
SSB	5746	Urban Multiple-Unit Dwellings	0	0
SSB	5781 *	Commute Trip Reduction	0	0
SB	6065	Public Corp Property Tax	-25	-32
			-25,041	**-46,108**

** Partial Veto -- see narrative for details*

Note: HB 2295 will increase biennial revenues by about $11 million, however, some or all of this is reflected in the June 1999 official revenue forecast. This is because the bill reverses a court decision that became final after the revenue forecast was issued.

REVENUE LEGISLATION

Rural Development Tax Legislation

Promoting the Creation and Retention of Jobs -- $17.5 Million General Fund-State Revenue Decrease
Chapter 311, Laws of 1999 (ESHB 2260), decreases the state general fund by $17.5 million but increases local revenues by $15 million. The legislation makes tax changes for rural counties and landslide disaster areas.

Local Option Sales and Use Tax: The existing local option sales and use tax for distressed counties is redirected to rural counties. A rural county is defined as a county with a population density of less than 100 persons per square mile. All counties currently meet this definition of rural except Spokane, Snohomish, Thurston, Island, Pierce, Clark, Kitsap, and King counties. The rate for this local option sales and use tax is increased from 0.04 percent to 0.08 percent. The increase to 0.08 percent takes effect on August 1, 1999, for most rural counties, but the increase does not take effect until January 1, 2000, for counties with population densities between 60 and 100 persons per square mile, which includes San Juan, Whatcom, Benton, and Cowlitz counties. The rural county optional sales tax does not increase the overall sales tax rate as it is credited against the state sales tax. Revenues from the rural county optional sales tax may only be used for public facilities listed in certain economic development or comprehensive plans.

Other Tax Changes for Rural Counties: New B&O tax credits are created for businesses located in rural counties that provide information technology “help desk” services. New B&O tax credits are also allowed for each software manufacturing or computer programming job created in a rural county. All new B&O tax credits expire on December 31, 2003. A public utility tax credit is provided for light and power businesses that donate to an electric utility rural economic development revolving fund. There are limits on the amounts that may be donated, and the credits expire on December 31, 2005. The 1.377 percent allocation of motor vehicle excise tax revenues earmarked for distressed counties is limited to those counties authorized to collect the 0.04 percent local option sales tax on January 1, 1999.

Landslide Disaster Areas: A temporary sales tax exemption is created for house moving or demolition and debris removal from a federally-declared landslide disaster area.

Enhancing Economic Vitality -- $1.1 Million General Fund-State Revenue Decrease
Chapter 164, Laws of 1999, Partial Veto (E2SSB 5594), decreases state general fund revenues by $1.1 million and local government revenues by $261,000. The legislation limits the existing distressed area sales and use tax deferral program to rural counties, community empowerment zones, and counties that contain community empowerment zones; and limits the B&O tax credit for job creation to rural counties and community empowerment zones. The measure includes other changes related to rural economic development including revisions to the Community Economic Revitalization Board (CERB) program, to public facilities loans and grants, public works board and water pollution control facilities, and to the development loan fund. The Washington State Housing Finance Commission's outstanding statutory debt limit is increased from $2 billion to $3 billion. The economic vitality committee is created to analyze potential economic development projects of statewide significance. (The Governor vetoed three sections: a provision requiring the Joint Legislative Audit and Review Committee to conduct performance reviews of the CERB program; language duplicated in another bill; and the establishment of an ad hoc economic development group.)

Other Tax Legislation

Contributing to Salmon and Water Quality Enhancement in Areas Impacted by Forest Practices -- $10 Million General Fund-State Revenue Decrease
Chapter 4, Laws of 1999, 1st sp.s., Partial Veto (ESHB 2091), decreases the state general fund by $10 million by providing a timber excise tax credit for timber harvested under a permit subject to "enhanced aquatic resources requirements." A related bill, Chapter 5, Laws of 1999, 1st sp.s. (HB 2303), makes this tax credit effective for timber harvests occurring on and after January 1, 2000. In addition to this timber excise tax credit, ESHB 2091 also requires the Forest Practices Board to adopt new rules and creates the small forest landowner office in the Department of Natural Resources (DNR) to administer the forestry riparian easement program. DNR is authorized to acquire riparian open space in the channel migration zones of certain stream types. Enforcement authority of DNR and the Department of Ecology is strengthened. The director of the Department of Fish and Wildlife is conditionally added to the Forest Practices Board. (The Governor vetoed two sections: a section requiring DNR to evaluate public lands that do not provide sufficient shade for streams and a section making the act null and void if Alaska does not reduce its salmon harvest levels.)

Creating a Public Facilities District -- $1.8 Million General Fund-State Revenue Decrease
Chapter 165, Laws of 1999, (2SSB 5452), decreases the state general fund by $1.8 million and increases local government revenues by $1.8 million. The legislation authorizes certain cities or groups of contiguous cities to create public facilities districts (PFD) for purposes of acquiring, building, owning, and operating one or more regional convention, conference, or special events centers. A city or group of contiguous cities must be located in a county or counties that each have less than one million residents in order to qualify. (Counties already have existing authority to create PFD.)

0.033 Percent Sales and Use Tax Credit: A city- or county-created PFD that begins to construct or rehabilitate a regional facility before January 1, 2003, may take a 0.033 percent credit against state retail sales and use taxes collected within the district. To qualify for the 0.033 percent tax credit, the regional center's project costs, including debt service, must equal or exceed $10 million. Also, a city- or county-created PFD must provide some matching revenues. A county-created PFD cannot take the 0.033 percent tax credit if the county legislative authority already has imposed a sales and use tax credit to construct a major league baseball or football stadium.

Other Tax Changes: After August 1, 2000, both city- and county-created PFDs may impose a 0.2 percent voter-approved sales and use tax (before August 1, 2000, county-created PFDs may impose up to a 0.1 percent rate). Both city- and county-created PFDs may charge taxes on admissions and parking fees that preempt any city or county tax of a similar nature. Leasehold interests in both city- and county-created PFDs are exempt from tax. A county-created PFD may reauthorize its 2 percent hotel/motel tax by a vote of the voters of the district for purposes of funding additional public facilities or a regional center.

Authorizing Deductions from Inmate Funds -- $1.2 Million General Fund-State Revenue Decrease
Chapter 325, Laws of 1999 (E2SHB 1143), decreases the state general fund by $1.2 million and increases the state Cost of Incarceration Fund by $1.2 million. Local government revenues increase $7.4 million. The legislation removes a December 31, 2000, sunset date. Removal of the sunset date means that moneys collected from inmates to help cover their imprisonment costs will continue to be deposited to the state Cost of Incarceration Fund rather than to the state general fund. Another provision authorizes local governments to charge $10 jail booking fees. Various provisions affecting amounts deducted from moneys sent to inmates by friends and family members are also enacted.

Revising the Machinery and Equipment Tax Exemption for Manufacturers and Processors for Hire --$401,000 General Fund-State Revenue Decrease
Chapter 211, Laws of 1999, Partial Veto (ESHB 1887), decreases the state general fund by $401,000 and local government revenues by $107,000. The legislation includes logging and rock crushing equipment in the sales and use tax exemption for manufacturing machinery and equipment. Machinery and equipment used to test manufactured products are also exempted from sales and use tax. (The Governor vetoed an emergency clause with the result that the new sales and use tax exemption granted for testing equipment takes effect on July 25, 1999, rather than immediately.)

Restricting Liability for Year 2000 Date-Change Damages -- $143,000 General Fund-State Revenue Decrease
Chapter 369, Laws of 1999 (EHB 2015), decreases the state general fund by $143,000. The legislation grants a grace period to natural persons and small businesses that have taken steps to make their computer systems Year 2000 (Y2K) compliant but nonetheless fail to pay excise or property taxes on time due to a Y2K computer failure. The Department of Revenue will not assess interest or penalties on late taxes during the grace period. However, the Department will begin assessing interest and penalties if the taxes remain unpaid 30 days after the Y2K failure was corrected or reasonably should have been corrected. The Department of Labor and Industries will grant similar grace provisions to employers who are natural persons or small businesses, if the employers fail to pay premiums into state accident, medical aid, and supplemental pension funds on time due to a Y2K computer failure. Several other provisions not related to taxes or revenues are also enacted.

Providing Clarification and Administrative Simplification for the Leasehold Excise Tax -- $90,000 General Fund-State Revenue Decrease
Chapter 220, Laws of 1999 (ESSB 5661), decreases state general fund revenues by $90,000 and local government revenues by $76,000. The legislation clarifies that use of public lands to remove forage and other purchased natural resource products is exempt from leasehold excise tax, with the result that grazing permits are exempt. Use of public lands for natural resource energy exploration is also exempted from leasehold excise tax. Agricultural product leases are treated the same as other types of product leases with the value of the agricultural products being determined on the date that the products are sold.

Providing an Excise Tax Exemption for Property Owned, Operated, or Controlled by a Public Corporation -- $25,000 General Fund-State Revenue Decrease
Chapter 266, Laws of 1999 (SB 6065), decreases state general fund revenues by $25,000 and local government revenues by $77,000. The legislation exempts land owned by a public development authority from in-lieu property tax if the land is either used for public access purposes or was acquired for the purpose of remediating and redeveloping blighted property.

Regulating Motel Liquor Licenses -- $3,000 General Fund-State Revenue Decrease
Chapter 129, Laws of 1999 (ESSB 5712), decreases state general fund revenues by $3,000. The legislation establishes the motel liquor license fee at $500 annually and removes some restrictions on motel liquor licenses. A motel liquor licensee may serve complimentary beer and wine to guests at a set time and place. A motel liquor licensee is also permitted to hold other types of liquor licenses. An increase in the number of motel liquor licenses is forecasted, and part of these license fee revenues will go into the state general fund. The first biennium number is negative due to a transition period. Subsequent state general fund revenue impacts are positive.

Changing Provisions Relating to the Adoption of Regulations by Airport Operators -- $3,000 General Fund-State Revenue Decrease
Chapter 302, Laws of 1999 (ESHB 1562), decreases the state general fund by $3,000 and increases the state Aeronautics Account by $37,000. The legislation modifies the regulations that airports may adopt in order to collect airport fees and impound aircraft. The decrease to the state general fund results from a tax exemption granted to non-residents who keep aircraft at an airport that is jointly operated by local governments located in two or more states. There is also an increase in the aircraft registration fee from $4 to $8, with these fee revenues going to the Aeronautics Account.

Updating or Repealing Dairy or Food Laws -- $2,000 General Fund-State Revenue Decrease
Chapter 291, Laws of 1999 (EHB 1151), decreases the state general fund by $2,000 and increases the state Agricultural Local Account by $267,000. The legislation modifies dairy laws. The decrease to the state general fund results from repealing requirements for milk distributor licenses. The increase to the state Agricultural Local Account results from the elimination of a June 30, 2000, sunset date. By removing the sunset date, a special assessment on all milk processed in this state will continue. Revenues from this special assessment help to fund the food safety program’s budget. Other dairy law changes are also made, including requirements for sources of milk for processing plants to be licensed or to have out-of-state equivalents of licenses. There are also several other changes made, such

as changes to the composition and duties of the Dairy Inspection Program Advisory Committee and repeal of the Washington Meat Inspection Program.

Eliminating the Time Limit on Regular Tax Levies for Medical Care and Services -- No General Fund-State Revenue Impact

Chapter 224, Laws of 1999 (HB 1154), has no revenue impact but allows voters to approve emergency medical service property taxes for a period of six years, 10 years, or permanently. Voters must approve any rate increase above the originally-authorized rate. Separate accounting is required to spend revenues raised by a permanent tax. An ordinance or resolution imposing a permanent tax is subject to a referendum process.

Exempting Certain Low-Income Rental Housing from Property Taxes -- No General Fund-State Revenue Impact

Chapter 203, Laws of 1999 (SHB 1345), does not impact the state general fund but has an $8.7 million property tax shift and a $1.1 million local government revenue loss. It exempts rental housing owned or used by a nonprofit organization from property taxation if three conditions are met. One, the benefit of the tax exemption inures to the nonprofit organization. Two, at least 75 percent of the filled dwelling units are occupied by households whose incomes are 50 percent or less of county median income (adjusted for family size). Three, the rental housing was insured, financed, or assisted in all or in part by a local affordable housing levy or by a federal or state program administered through the Department of Community, Trade, and Economic Development. If fewer than 75 percent of the units are occupied by very low-income households, then a partial property tax exemption is available.

Authorizing a Sales and Use Tax for Zoo and Aquarium Purposes -- No General Fund-State Revenue Impact

Chapter 104, Laws of 1999 (ESHB 1547), provides new local taxing authority, and the local government revenue gain will be $11.4 million if this authority is used. The legislation authorizes counties with a population between 500,000 and 1 million residents to impose a 0.1 percent local sales and use tax for zoo and aquarium purposes. The tax must be requested by a city with a population greater than 150,000 and a metropolitan park district, and the tax must be approved by voters. The Department of Revenue is required to collect the tax at no cost to the county. If a tax is imposed, then a zoo and aquarium advisory authority is created.

Updating the Tax Code by Making Administrative Clarifications, Correcting Oversights, and Deleting Obsolete References -- No General Fund-State Revenue Impact

Chapter 358, Laws of 1999 (SHB 1623), mostly involves technical changes to the tax code. Revenue impact is negligible. The legislation redefines fund-raising activities for purposes of B&O and sales tax exemptions. The fund-raising tax exemption is extended to include sales of used books in libraries. The requirement that duplicate exemption certificates be sent to the Department of Revenue for some exemptions is eliminated. References to the federal Internal Revenue Code are updated to January 1, 1999, rather than January 1, 1998, for purposes of the state tax and the probate code. A number of technical changes are made and obsolete references in excise statutes are removed.

Simplifying Tax Reporting By Revising the Active Non-Reporting Threshold So That It Parallels the Small Business Credit -- No General Fund-State Revenue Impact

Chapter 357, Laws of 1999 (HB 1741), has no revenue impact. The legislation raises the non-reporting threshold from $24,000 to $28,000 so that non-retailing businesses with gross receipts of $28,000 per year or less are required to register with the Department of Revenue but do not need to file tax returns. The Department of Revenue may allow any taxpayer to file tax returns or remittances electronically.

Exempting Real Property that Will Be Developed by Nonprofit Organizations to Provide Homes for the Aging -- No General Fund-State Revenue Impact

Chapter 356, Laws of 1999 (SHB 1969), has a $246,000 property tax shift and a $32,000 local government revenue loss. The legislation moves the date for calculating the number of low-income occupants of a nonprofit home for the aging from January 1 to December 31 for the first year of a home's operation. (The number of low-income occupants determines a home's eligibility for a full or partial property tax exemption.)

Continuing a Moratorium That Prohibits a City or Town From Imposing a Specific Fee or Tax on an Internet Service Provider -- No General Fund-State Revenue Impact
Chapter 307, Laws of 1999 (HB 2081), has no revenue impact. The legislation continues a prohibition on cities and towns against imposing a specific fee or tax on an Internet service provider until July 1, 2002. The prohibition would have expired July 1, 1999.

Reducing the Account Balance Requirements Necessary for the Imposition of the Oil Spill Response Tax -- No General Fund-State Revenue Impact
Chapter 7, Laws of 1999, 1st sp.s. (ESHB 2247), decreases revenues in the state's Oil Spill Response Account by $500,000. The legislation allows the State Treasurer to transfer $1 million from the Oil Spill Response Account to the Oil Spill Administration Account. The cap on the Oil Spill Response Account is decreased from $10 million to $9 million, and the fund balance level for re-imposing the oil spill response tax is decreased from $9 million to $8 million. The Legislature is required to convene a work group to provide recommendations for an oil spill risk management plan.

Clarifying the Phrase "Services Rendered in Respect to Constructing" for Business and Occupation Tax Purposes -- No General Fund-State Revenue Impact
Chapter 212, Laws of 1999 (HB 2261), has no revenue impact. The legislation limits wholesaling B&O tax treatment to services that are directly related to construction, building, repairing, improving, and decorating of buildings or structures. The service B&O tax rate applies to engineering, architectural, survey, flagging, accounting, legal, consulting, management, or administrative services.

Changing Provisions Relating to Taxation of Destroyed Property -- No General Fund-State Revenue Impact
Chapter 8, Laws of 1999, 1st sp.s. (SHB 2273), has a $91,000 property tax shift and a $26,000 local government revenue loss. The legislation reduces the property tax on destroyed property or property damaged by a natural disaster in the year in which the damage occurs rather than the following year.

Providing That Growing or Packing Agricultural Products Is Not a Manufacturing Activity for Tax Purposes -- No General Fund-State Revenue Impact
Chapter 9, Laws of 1999, 1st sp.s. (HB 2295), increases state general fund revenues by $11 million, but some or all of this increase is already in the most recent official revenue forecast. This is because the legislation reverses a court decision that became final after the revenue forecast was issued. As a result, this legislation will have no revenue impact compared to the revenue forecast. The legislation excludes farming and the packing of agricultural products from the definition of manufacturing for excise tax purposes. Thus, businesses packing agricultural products are no longer eligible for the distressed area tax incentive programs and the growing and packing of agricultural products are not subject to B&O tax. Tax changes made by this legislation apply prospectively and retroactively.

Exempting Certain Nonprofit Organizations from Property Taxation -- No General Fund-State Revenue Impact
Chapter 139, Laws of 1999 (SB 5021), has a $3,000 property tax shift and negligible local government revenue losses. The legislation exempts demonstration farms and related facilities from property taxation if owned by a nonprofit organization and used by a state university for agricultural research and education programs. Any new property tax exemption for a nonprofit organization is subject to standard restrictions on the use of the property unless the act creating a new exemption specifically excludes a standard restriction from applying.

Repealing a Restriction on Regular Property Tax Levies -- No General Fund-State Revenue Impact
Chapter 96, Laws of 1999 (SSB 5495), has no revenue impact. The legislation allows a property taxing district that has not imposed a tax since 1985 to retain its levy capacity.

Taxation of Park Trailers and Travel Trailers -- No General Fund-State Revenue Impact

Chapter 92, Laws of 1999 (ESB 5564), has a $468,000 property tax shift and $61,000 local government revenue loss. The legislation makes park trailers that are permanently sited subject to property taxes. A park trailer is permanently sited if it is placed on blocks or posts with connections for water, sewer, or other utilities. There is no requirement to place the park trailer on a permanent foundation, and the utility connections need not be fixed pipe connections.

Modifying Certain Exemption Language for New and Rehabilitated Multiple-Unit Dwellings in Urban Centers -- No General Fund-State Revenue Impact
Chapter 132, Laws of 1999 (SSB 5746), has a $347,000 property tax shift and $45,000 local government revenue loss. The legislation exempts multiple-unit housing in urban centers from property tax in the year following approval of the exemption rather than two years after approval. The April 1 deadline for submitting exemption applications is removed. Applications may be submitted at any time.

Extending the Commute Trip Tax Reduction Credit -- No General Fund-State Revenue Impact
Chapter 402, Laws of 1999, Partial Veto (SSB 5781), has no general fund impact, because the general fund must be fully reimbursed for any tax credits taken. The legislation extends the sunset of the commute trip reduction tax credit from December 2000 until December 2006. The B&O and public utility tax credits may be taken not only by employers but also by property managers who provide commuting incentives to persons employed at work sites managed by the property managers. The maximum annual amount of tax credit is increased from $1.5 million to $2.25 million. The initial $1.5 million of reimbursement to the general fund continues to come from the Air Pollution Control Account. Amounts to reimburse the general fund in excess of $1.5 million are drawn equally from the Transportation Account and the Public Transportation Systems Account, subject to appropriation. (The Governor vetoed the extension of the tax credits through December 2006, with the result that the credits expire in December 2000. The Governor also vetoed an emergency clause that would have made the act take effect immediately.)

Modifying and Sunsetting Provisions Related to Sellers of Travel -- $64,000 General Fund-State Revenue Increase
Chapter 238, Laws of 1999 (ESHB 2090), increases state general fund revenues by $64,000. The legislation clarifies that a separate registration fee must be paid for each office or business location operated by a travel business. The fee per additional business location is $234. Certain recordkeeping and disclosure requirements imposed on sellers of travel under the registration program are relaxed. Requirements to maintain trust accounts are also eliminated under certain circumstances.

Allowing Dealers of Recreational Licenses to Collect a Fee of at Least Two Dollars for Each License Sold -- $240,000 General Fund-State Revenue Increase
Chapter 243, Laws of 1999 (SB 5020), increases the state general fund by $240,000, because short-term shellfish and seaweed licenses are re-established. Dealers of recreational licenses are also allowed to collect and retain a fee of at least two dollars for each license sold. Other changes are also made.

Decriminalizing License Fraud and Establishing a License Fraud Task Force in the Washington State Patrol -- $1.6 Million General Fund-State Revenue Increase
Chapter 277, Laws of 1999 (SSB 5706), increases state general fund revenues by $1.6 million, State Patrol Highway Account revenues by $1.1 million, and local government revenues by $250,000. Increases to the state Transportation Fund, Motor Vehicle Fund, and other motor vehicle excise tax funds together add to $1.2 million. The decrease to the state Public Safety and Education Account is $332,000. The legislation eliminates criminal penalties for license fraud. Individuals who license a vehicle, aircraft, vessel, trailer, or camper in another state to avoid paying Washington taxes or fees are liable for a minimum penalty of $1,000 and a maximum penalty of $10,000.

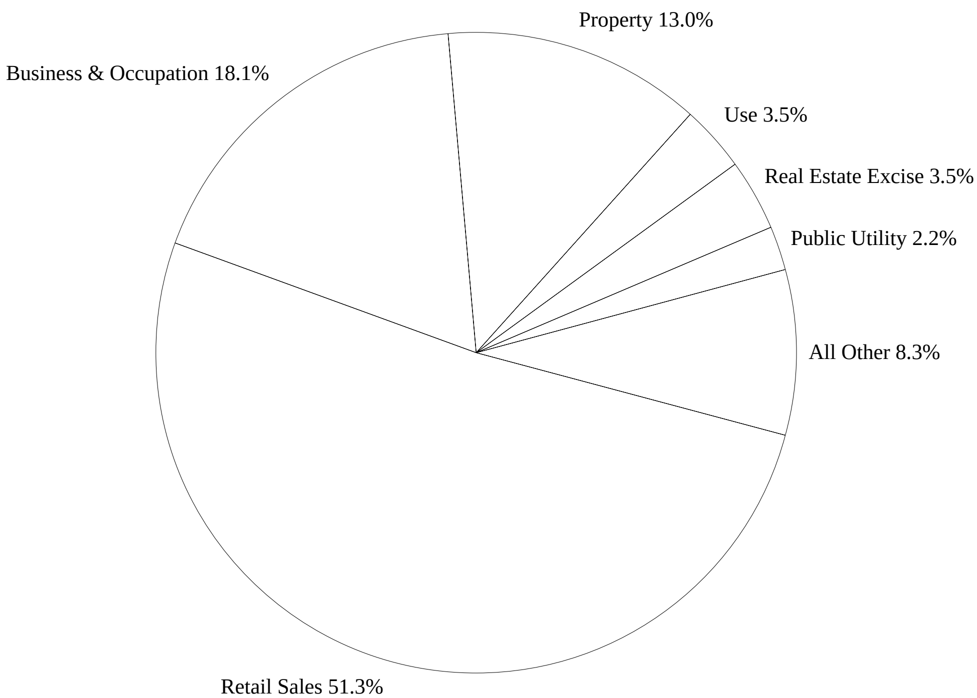
Preventing the Use of Step Transactions to Avoid Real Estate Excise Tax -- $5.3 Million General Fund-State Revenue Increase
Chapter 209, Laws of 1999 (HB 1664), increases state general fund revenues by $5.3 million and local government revenues by $2.1 million. The legislation applies real estate excise tax to certain “step transactions” involving

formation, liquidation, dissolution, or reorganization of a partnership or corporation that owns real estate. The tax applies if a series of transactions transfers control of the partnership or corporation within a 12-month period.

Washington State Revenue Forecast - March 1999

1999-01 General Fund-State Revenues by Source

(Dollars in Millions)



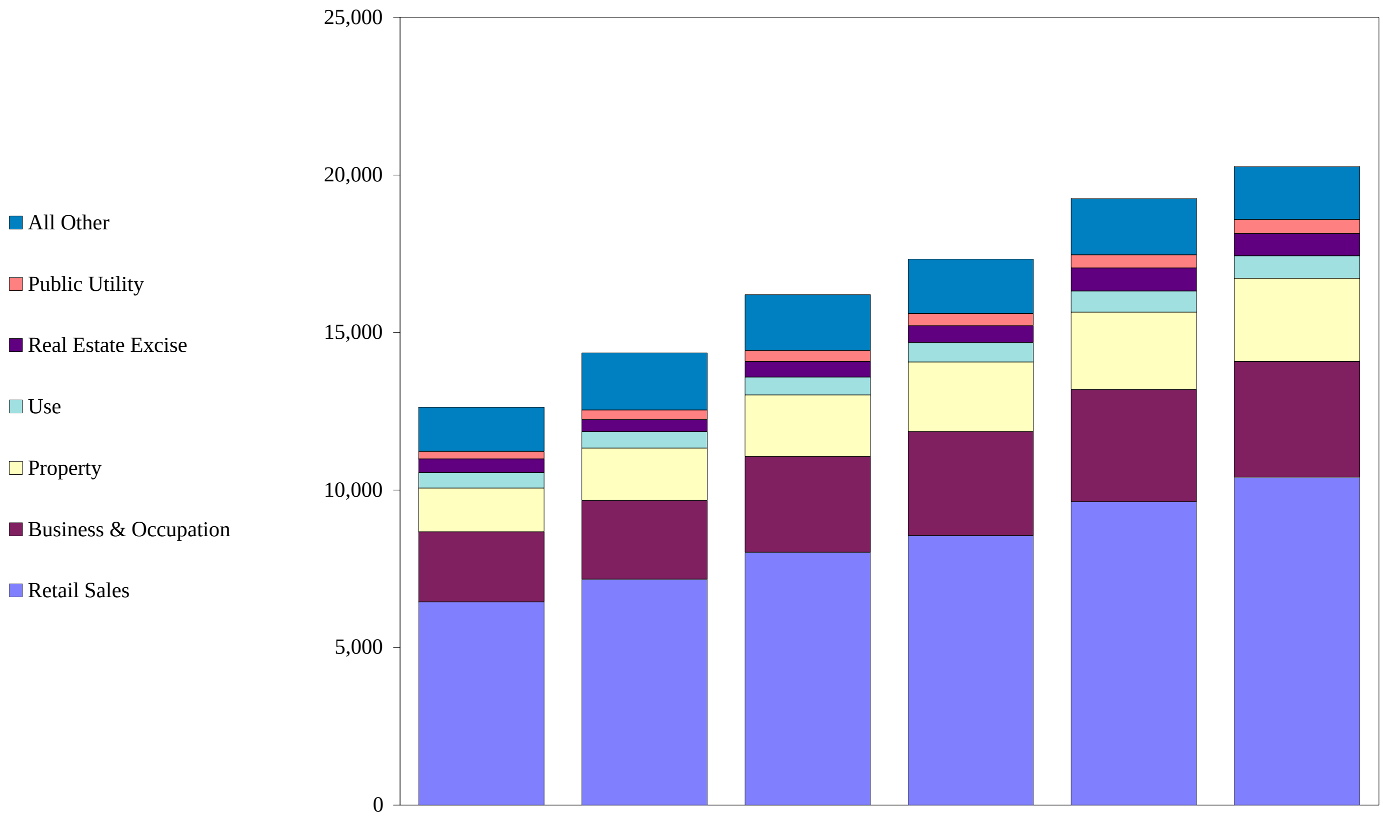
Sources of Revenue	
Retail Sales	10,405.4
Business & Occupation	3,673.2
Property	2,638.0
Use	707.8
Real Estate Excise	714.3
Public Utility	444.6
All Other	1,689.4
Total *	20,272.7

* *Reflects the March 1999 Revenue Forecast.*

Washington State

General Fund-State Revenues By Source

(Dollars in Millions)



	1989-91	1991-93	1993-95	1995-97	1997-99	1999-01*
Retail Sales	6,446.3	7,163.0	8,020.5	8,541.8	9,623.7	10,405.4
Business & Occupation	2,217.7	2,503.5	3,031.5	3,300.1	3,565.2	3,673.2
Property	1,399.4	1,661.8	1,960.4	2,211.7	2,453.9	2,638.0
Use	481.9	515.1	569.4	626.1	667.5	707.8
Real Estate Excise	436.8	399.0	493.0	532.6	731.1	714.3
Public Utility	244.0	292.9	345.2	388.1	419.5	444.6
All Other	1,397.9	1,817.0	1,780.9	1,729.5	1,797.8	1,689.4
Total	**12,624.0**	**14,352.3**	**16,200.9**	**17,329.9**	**19,258.7**	**20,272.7**

* *Reflects the March 1999 Revenue Forecast.*

Note: Effective January 1999, motor vehicle excise tax was removed from the General Fund due to Referendum 49. Historical amounts have been adjusted to be comparable.

Washington State
General Fund-State Revenues By Source

Dollars in Millions

	1989-91	1991-93	1993-95	1995-97	1997-99 *	1999-01 *
Retail Sales	6,446.3	7,163.0	8,020.5	8,541.8	9,623.7	10,405.4
Business & Occupation	2,217.7	2,503.5	3,031.5	3,300.1	3,565.2	3,673.2
Property	1,399.4	1,661.8	1,960.4	2,211.7	2,453.9	2,638.0
Use	481.9	515.1	569.4	626.1	667.5	707.8
Real Estate Excise	436.8	399.0	493.0	532.6	731.1	714.3
Public Utility	244.0	292.9	345.2	388.1	419.5	444.6
All Other	1,397.9	1,817.0	1,780.9	1,729.5	1,797.8	1,689.4
Total	**12,624.0**	**14,352.3**	**16,200.9**	**17,329.9**	**19,258.7**	**20,272.7**

Percent of Total

	1989-91	1991-93	1993-95	1995-97	1997-99 *	1999-01 *
Retail Sales	51.1%	49.9%	49.5%	49.3%	50.0%	51.3%
Business & Occupation	17.6%	17.4%	18.7%	19.0%	18.5%	18.1%
Property	11.1%	11.6%	12.1%	12.8%	12.7%	13.0%
Use	3.8%	3.6%	3.5%	3.6%	3.5%	3.5%
Real Estate Excise	3.5%	2.8%	3.0%	3.1%	3.8%	3.5%
Public Utility	1.9%	2.0%	2.1%	2.2%	2.2%	2.2%
All Other	11.1%	12.7%	11.0%	10.0%	9.3%	8.3%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Percent Change from Prior Biennium

	1989-91	1991-93	1993-95	1995-97	1997-99 *	1999-01 *
Retail Sales		11.1%	12.0%	6.5%	12.7%	8.1%
Business & Occupation		12.9%	21.1%	8.9%	8.0%	3.0%
Property		18.8%	18.0%	12.8%	11.0%	7.5%
Use		6.9%	10.5%	10.0%	6.6%	6.0%
Real Estate Excise		-8.7%	23.6%	8.0%	37.3%	-2.3%
Public Utility		20.0%	17.9%	12.4%	8.1%	6.0%
All Other		30.0%	-2.0%	-2.9%	4.0%	-6.0%
Total		**13.7%**	**12.9%**	**7.0%**	**11.1%**	**5.3%**

* *Reflects the March 1999 Revenue Forecast.*

Note: Effective January 1999, motor vehicle excise tax was removed from the General Fund due to Referendum 49. Historical amounts have been adjusted to be comparable.